

Message Text

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PAGE 01 YAOUND 01705 051359Z
ACTION COME-00

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USDOC

DEPT PASS AF/C AMBASSADOR SMYTHE ON CONSULTATION: ALSO PASS EXIM-
BANK

FOR JOHN HUBER, USDOC FOR MAJOR PROJECTS DIVISION

E.O. 11652 N/A
TAGS: BENC, ENGR, ETRD, CM, FR
SUBJECT: SONARA PETROLEUM REFINERY

REFS: (A) STATE 085776, (B) PARIS 10704, (C) YAOUNDE 1605, (D) YAOUND
(D) YAOUNDE 954, (E) STATE 082096, (F) STATE 070331
(G) STATE 14670

1. REF C REPORTED PROBABLE ELIMINATION OF FRENCH AND ITALIAN FIRM
FROM COMPETITION TO WIN DOLLARS 200 PLUS MILLION CONTRACT TO BUILD
SONARA PETROLEUM REFINERY, LEAVING ONLY TWO SUBSIDIARIES OF U.S.
ENGINEERING AND CONSTRUCTION FIRMS (LITWIN AND PROCO FRANCS) AS
CONTENDERS. REFS A AND B CONFIRMED ABOVE REPORT AND STATED THAT
IT LIKELY MOST PROCUREMENT WOULD NOT BE DONE IN U.S. THIS SUBS-
TANTIATES CONVERSATION OF EMBOFF WITH PROCO FRANCS COMMERCIAL
DIRECTOR JAMES LECLERC IN LATE FEBRUARY (REF D.) DURING THIS
CONVERSATION LECLERC (FRENCHMAN), STATED THAT IT UNLIKELY PROCO
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FRANCE WOULD PROCURE IN US FOR REFINERY BECAUSE VARIOUS EQUIPMENT
SOURCES FROM PRINCIPAL SUPPLYING COUNTRIES ARE EQUALLY COMPETITIVE
AND COST OF FINANCING WILL BE KEY DETERMINANT. IN THIS REGARD,
LECLERC CLAIMED THAT EX-IM BANK TERMS WERE NOT AS FAVORABLE AS
FRENCH EXPORT FINANCING FACILITY, PARTIALLY BECAUSE CFA FRANC IS
TIED TO FRENCH FRANC, THEREBY ELIMINATING EXCHANGE RISK.

2. REFS D AND E REPORT AND DISCUSS EX-IM BANK'S NEW, MORE POSITIVE POSTURE WITH REGARD TO FINANCING U.S. EXPORTS. IN VIEW OF LARGE US TRADE DEFICIT (DOLLARS 4.5 BILLION IN FEBRUARY) AND PRESIDENT CARTER'S MESSAGE TO AMBASSADORS URGING THEM TO REDOUBLE EXPORT PROMOTION EFFORTS (REF G) WE BELIEVE THAT PROCOFRANCS AND LITWIN'S U.S. HEADQUARTERS SHOULD BE CONTACTED ONCE AGAIN IN ORDER TO STRONGLY URGE THEM IF NEED BE IN NAME OF GOOD CORPORATE CITIZENSHIP -- TO PROCURE AT LEAST PART OF CONTRACT IN U.S. IN ADDITION, IT PERHAPS WOULD BE APPROPRIATE TO INFORM BOTH FIRMS OF NEW EX-IM BANK POSTURE.

3. PETROLEUM REFINERY IS THE LARGEST AND MOST SIGNIFICANT PROJECT CURRENTLY BEING PLANNED IN CAMEROON. IT PROVIDES BEST OPPORTUNITY FOR U.S. EXPORTERS TO ENTER MARKET. IN AN AREA WHERE WE ARE NOT ONLY FULLY COMPETITIVE BUT MOST PROBABLY THE TECHNOLOGICAL LEADERS. IN 1976 FRANCS SUPPLIED 44.4 PERCENT OF THE CAMEROON IMPORT MARKET AND THE U.S. WAS SECOND WITH ONLY A MEAGER 7.9 PERCENT. IF WE WISH TO IMPROVE UPON THIS PERFORMANCE AND TO ESTABLISH A Foothold HERE, WE SHOULD NOT ALLOW THIS OPPORTUNITY TO SLIP AWAY.

4. ACTION REQUESTED: PLEASE CONTACT BOTH LITWIN AND PROCON HEADQUARTERS AND ENCOURAGE BOTH TO PROCURE IN U.S. WITH EX-IM BANK ASSISTANCE. WOULD APPRECIATE URGENT RESPONSE ON RESULTS OF YOUR INQUIRY.

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